

Message Text

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TO AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L STATE 085135

FOR ASST SECRETARY ENDERS

FOL REPEAT QUITO 2486 SENT ACTION SECSTATE

INFO GUAYAQUIL APR 12

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C O N F I D E N T I A L QUITO 2486

E.O. 11652: GDS

TAGS: ENRG EINV EC

SUBJECT: PETROLEUM: MINISTER OF NATURAL RESOURCES PRESS CONFERENCE

1. MINISTER OF NATURAL RESOURCES LUIS SALAZAR ANNOUNCED APRIL 10 IN

PRESS CONFERENCE THAT THE GOE WILL HOLD PRICES AT
DECEMBER 31 LEVELS. HE PUT GOVERNMENT TAKE AT \$10.21 UNDER
PREVAILING TAX RATES. THE PETROLEUM COMPANIES HAVE BEEN
INFORMED OF THE DECISION.

2. SALAZAR ALSO CORRECTED REPORTED STATEMENT BY COL. RENE
VARGAS, CEPE MANAGER. LOCAL PRESS HAD QUOTED VARGAS AS STATING
ON APRIL 8 IN MEXICO THAT ECUADOR IS SEEKING TO NATIONALIZE
PETROLEUM PRODUCTION TO EXPEL FOREIGN COMPANIES THAT NOW EXPLOIT
PETROLEUM FOR THEIR OWN BENEFIT. SALAZAR TERMED THIS A
COMPLETE PRESS DISTORTION AND ASSERTED THAT GOE RESPECTS
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AND WILL RESPECT FOREIGN INVESTORS. THE GOE, HE SAID, DOES

PLAN TO ACQUIRE ANOTHER 26 PERCENT OF THE TEXACO-GULF CONSORTIUM TO REACH THE DESIRED 51 PERCENT CONTROL. FOR THE TIME BEING, HOWEVER, THE GOVERNMENT DOES NOT HAVE THE RESOURCES TO BUY OUT AN ADDITIONAL 26 PERCENT.

3. THE MAJOR PRESS EMPHASIS WAS ON SALAZAR'S STATEMENT THAT THE GOE HAS DECIDED TO KEEP THE 1975 PRODUCTION ALLOWABLE AT 210,000 BPD. HE ADDED THAT THE AUCA FIELD WILL BE PERMITTED TO ENTER PRODUCTION AT 15,000 BPD INITIALLY. (SACHA FIELD PRODUCTION WILL BE CUT BACK BY THE SAME AMOUNT.) THE PRODUCTION LIMIT FOR AUCA MAY BE REVISED UPWARD AFTER FURTHER STUDIES.

4. SALAZAR ALSO SAID THAT A PLAN HAS BEEN SUBMITTED TO THE PRESIDENT SETTING OUT CONDITIONS REQUIRING TEXACO-GULF TO COMPLETE THE DEVELOPMENT OF ALL THIRTEEN STRUCTURES IN ITS CONCESSION. (THE FIVE LARGEST HAVE BEEN OR ARE BEING DEVELOPED.) 1) IF DEFINITE PETROLEUM CAPACITY IS NOT DISCOVERED WITHIN THREE YEARS AFTER PRELIMINARY EXPLORATION, THE STRUCTURE WILL REVERT TO THE STATE WITHOUT COST TO THE COMPANY. 2) IF PRODUCTION HAS NOT BEGUN IN EXPLORATORY CONCESSIONS WITH PROVEN PETROLEUM CAPACITY, THE FIELDS WILL REVERT TO THE STATE THREE YEARS AFTER THE TERMINATION OF EXPLORATORY WELLS. 3) THE COMPANIES WILL HAVE A YEAR FROM THE DATE OF THE DECREE TO BEGIN DEVELOPMENT AND TWO YEARS FOR THE RAPID EXPLOITATION OF PROVEN RESERVES IN THEIR CONCESSIONS. FAILURE TO COMPLY WITH THESE RULES WILL CAUSE REVERSION TO THE STATE.

5. CEPE HAS PLANS, HE SAID ALSO, TO SIGN AT THE END OF THIS APRIL A CONTRACT WITH ROMANIA TO ASSIST CEPE IN EXPLORATION OF ITS AREAS.

6. COMMENT: TEXACO-GULF HAD ASKED FOR A TAX ROLL-BACK FROM PREVAILING LEVELS THAT BECAME EFFECTIVE OCTOBER 1 BUT ADDITIONALLY FEARED THAT A FURTHER OPEC-INSPIRED PRICE INCREASE WOULD BE IMPOSED. IT REMAINS TO BE SEEN WHETHER THE COMPANIES WILL BE SATISFIED WITH THE FREEZE ANNOUNCED BY SALAZAR. TEXACO-GULF EXECUTIVES FROM

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CORAL GABLES WILL VISIT QUITO AGAIN NEXT WEEK. THEY WILL NOTE THAT SALAZAR WENT TO GREAT LENGTHS TO SAY THAT THE GOE WILL FULFILL ITS OBLIGATIONS TO THE COMPANIES AND HAS NO PLANS FOR NATIONALIZATION. HOWEVER, THE PROPOSED FORCED DEVELOPMENT OF ALL STRUCTURES PRESENTS A NEW PROBLEM. STATE PARTICIPATION, PRODUCTION CONTROLS AND HIGH TAX RATES HAVE LED TEXACO-GULF TO PARE DOWN DEVELOPMENT PLANS AND EXPENDITURES.

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